

Message Text

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TO AMEMBASSY TAIPEI

C O N F I D E N T I A L STATE 260860

E.O. 11652: GDS

TAGS: ETRD, TW

SUBJECT: COTTON CONTRACT PROBLEMS

REF: TAIPEI 6843

1. WE APPRECIATE EMBASSY'S EFFECTIVE EFFORT TO MOBILIZE GROC SUPPORT FOR FULLFILMENT OF US COTTON CONTRACTS WITH TAIWANESE MILLS. AMERICAN COTTON SHIPPERS ASSOCIATION HAS PROMISED TO INFORM US AS SOON AS LETTERS OF CREDIT ARE OPENED, AND THIS INFORMATION WILL BE PASSED ON TO EMBASSY BY TELEGRAM ON A CONTINUING BASIS.

2. WE WOULD WELCOME EMBASSY'S ASSESSMENT OF EFFECT OF GROC ACTION ON ACTUAL OPENING OF L/C'S. ABSENCE OF ANY SIGN THAT L/C'S ARE BEING OPENED, OR WILL BE OPENED SHORTLY, PUTS ADDITIONAL DOWNWARD PRESSURE ON COTTON PRICES WHICH IN TURN EXACERBATES CONTRACT PROBLEM.

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3. PROCEDURES PROPOSED BY SHAO IN PARA 4 REFTTEL ARE

SATISFACTORY. FYI AT PRESENT, THIRD COUNTRY COTTON ACCOUNTS FOR APPROXIMATELY 7 PERCENT OF LATE SHIPMENTS. WE HAVE ALWAYS STRONGLY SUPPORTED THE PRINCIPLE OF SANCTITY OF ALL VALID CONTRACTS HELD BY US BUSINESSMEN AND WILL CONTINUE TO DO SO. IF SPECIAL PROBLEMS ARISE WITH INDIVIDUAL CONTRACTS INVOLVING THIRD COUNTRY COTTON, WE WILL MAKE A SPECIFIC REQUEST ASKING THE EMBASSY TO INVESTIGATE ON AN AD HOC BASIS. END FYI.

4. BOFT SHOULD BE GIVEN TO UNDERSTAND THAT OUR PRIME CONCERN NOW IS TO SEE L/C'S BEGIN TO BE OPENED; I.E. TO SEE SOME CONCRETE RESULTS FROM UNDERSTANDINGS REACHED TWO WEEKS AGO. INGERSOLL

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